

COMMONWEAL TH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NORTH SHELBY WATER )  
COMPANY OF SHELBY, FRANKLIN AND HENRY )  
COUNTIES FOR A CERTIFICATE OF PUBLIC ) CASE NO.  
CONVENIENCE AND NECESSITY TO CONSTRUCT, ) 2012-00429  
FINANCE AND INCREASE RATES PURSUANT TO )  
THE PROVISIONS OF KRS 278.023 )

ORDER

North Shelby Water Company of Shelby, Franklin and Henry Counties (“North Shelby”) has applied to the Commission for a Certificate of Public Convenience and Necessity for a waterworks construction project, approval of its plan to finance the proposed project, and an adjustment of rates.

North Shelby proposes to construct a new booster pump station, including all associated piping and appurtenances. This new pump station replaces the undersized Long Run pump station near North Shelby’s primary purchase point from the Louisville Water Company. This project also includes the installation of 2,300 linear feet of 12-inch ductile iron transmission main to replace portions of an existing 8-inch polyvinyl chloride main in order to accommodate the new pump station’s increased capacity. The total cost of the project, including legal, engineering inspection, and engineering design costs is \$1,070,000.

North Shelby proposes to finance the construction through the issuance of a promissory note to Rural Development (“RD”) in the amount of \$1,070,000, which will be repaid over 40 years at an interest rate not exceeding 4.25 percent per annum. It also proposes to increase its rates for water service to finance the increased debt

service requirements. Under the proposed rates, the monthly bill of a residential customer who uses 5,000 gallons will increase from \$34.57 to \$35.56, or approximately 2.9 percent.

North Shelby has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and North Shelby, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

North Shelby's application met the minimum filing requirements of KRS 278.023 on September 19, 2012. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. North Shelby is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. North Shelby's proposed plan of financing is accepted.

3. North Shelby is authorized to issue a promissory note in an amount not to exceed \$1,070,000 to RD.

4. The proceeds from the proposed promissory note shall be used only for the purposes specified in North Shelby's application.

5. North Shelby shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, North Shelby may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in North Shelby's rates for service. North Shelby shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

7. North Shelby shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

8. North Shelby shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

9. North Shelby shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that North Shelby renders on and after the date of this Order.

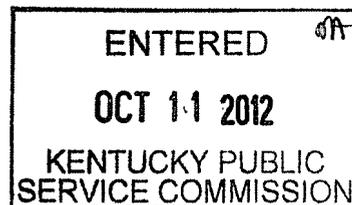
11. Within 30 days of the date of this Order, North Shelby shall file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

12. Within 30 days of the date of the issuance of the proposed promissory note to RD, North Shelby shall file with the Commission a copy of such note and any documents referenced in that note that have not previously been filed with the Commission.

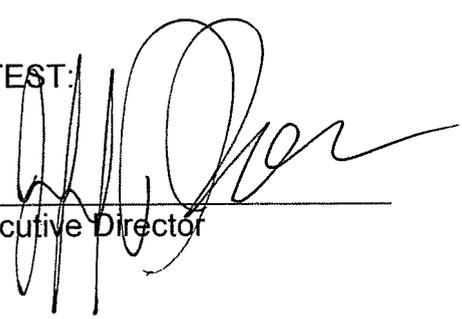
13. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 9, and 12 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission



ATTEST:

  
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Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00429 DATED OCT 11 2012

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company of Shelby, Franklin and Henry Counties. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Monthly Water Rates

##### 5/8- x 3/4-Inch Meter

First	2,000	Gallons	\$16.24	Minimum Bill
Next	3,000	Gallons	6.44	per 1,000 Gallons
Next	5,000	Gallons	5.06	per 1,000 Gallons
Next	40,000	Gallons	4.37	per 1,000 Gallons
All Over	50,000	Gallons	3.69	per 1,000 Gallons

##### 1-Inch Meter

First	5,000	Gallons	\$35.56	Minimum Bill
Next	5,000	Gallons	5.06	per 1,000 Gallons
Next	40,000	Gallons	4.37	per 1,000 Gallons
All Over	50,000	Gallons	3.69	per 1,000 Gallons

##### 1 1/2-Inch Meter

First	10,000	Gallons	\$60.86	Minimum Bill
Next	40,000	Gallons	4.37	per 1,000 Gallons
All Over	50,000	Gallons	3.69	per 1,000 Gallons

##### 2-Inch Meter

First	15,000	Gallons	\$82.71	Minimum Bill
Next	35,000	Gallons	4.37	per 1,000 Gallons
All Over	50,000	Gallons	3.69	per 1,000 Gallons

##### 3-Inch Meter

First	35,000	Gallons	\$170.11	Minimum Bill
Next	15,000	Gallons	4.37	per 1,000 Gallons
All Over	50,000	Gallons	3.69	per 1,000 Gallons

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